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ABSTRACT

This document provides a step-by-step guide to completing the Free Application for Federal Student Aid (FAFSA) for 1999-2000. Introductory information notes the availability of electronic versions of the FAFSA, requirements of renewal applications, and general instructions on form completion. Then the application process is broken down into six steps and line-by-line instructions for completing the form. The steps involve providing: (1) basic identifying and eligibility information; (2) information to determine whether the student is a dependent or an independent student for purposes of calculating the expected family contribution; (3) information on number of family members to calculate the income protection allowance; (4) information on income and assets of parents; (5) a list of the schools to which the student would like the Department of Education to send the application information; and (6) signature of student and parent. Also included are answers to frequently asked questions and a list of sources of further information. (DB)

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ED 428 612

Completing the 1999-2000 FAFSA

(From http://www.ed.gov/prog_info/SFA/FAFSA)

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Introduction

To receive aid from the federal student aid programs, you must complete a Free Application for Federal Student Aid (FAFSA). The information you report on the FAFSA is used to calculate an "Expected Family Contribution," or EFC, according to a formula set by Congress. Your school will use your EFC to determine what federal, state, and institutional aid you are eligible to receive.

This web site will explain how to properly complete the FAFSA, the purpose of the FAFSA questions, and how information should be reported in some unusual cases. There are also several Frequently Asked Questions (FAQs) and answers for students.

This site will be more useful if it is used while looking at a copy of the FAFSA. You can get a FAFSA at the school you plan to attend, a local library, or by calling the Federal Student Aid Information Center at 1-800/4-FED-AID.

You can also access various electronic versions of the FAFSA, including *FAFSA on the Web* and *FAFSA Express* downloadable software.

As its name implies, filing a FAFSA is free. There are no fees to process any FAFSA, paper or electronic.

If you applied for aid last year, you may not have to complete an entire FAFSA, but instead can use a Renewal FAFSA, preprinted with last year's data, and simply change or add information as needed. There is also a renewal version of *FAFSA on the Web*. (Photocopies of Renewal FAFSAs cannot be processed, due to the image scanning technology.)

For purposes of this web site, "you" and "your" refer to the student. "School" refers to the school, college, or postsecondary institution the student attends (or is applying to).

Renewal FAFSA

In the fall, a school may request Renewal FAFSAs for students who listed that school on their applications for the previous year. The school can either request the electronic Renewal FAFSA records or ask that the applications be printed by the Department's Central Processing System (CPS) and mailed in bulk to the school. If the school requests only the electronic records, the school is then responsible for distributing the Renewal FAFSAs to the students and must also enter and transmit the completed Renewal FAFSAs.

For 1999-00, the Department's CPS will mail Renewal FAFSAs to students who applied for federal student aid in 1998-99 and who meet certain conditions--for instance, their SSNs and addresses were valid, they were not in default, etc. The

CPS will print and mail Renewal FAFSAs only to those students whose records were not requested by a school. The Department's CPS is responsible for analyzing FAFSA information and calculating an Expected Family Contribution (EFC) for every student. The EFC is calculated according to a formula set by Congress.

A student who receives a Renewal FAFSA in the mail must provide new financial and some nonfinancial information but can leave other information the same if it has not changed. Such a student will receive his or her Renewal FAFSA in the mail or from his or her school some time after November 1998.

How to Complete the FAFSA

To complete a paper FAFSA, you should use black ink or a No. 2 pencil. Dollar amounts should be rounded to the nearest whole dollar. Dates must be reported in numbers in the boxes provided, such as 05141999 for May 14, 1999.

For 1999-2000, you should apply as soon after January 1, 1999 as possible. Applications received before January 1, 1999 will not be processed. If you submit a FAFSA before this date, you will have to reapply.

After receiving your completed application, the processor will produce and mail to you a Student Aid Report (SAR). The SAR will report your application information and your Expected Family Contribution (EFC). The EFC is the number used in determining your eligibility for federal student aid. The results will be sent to you and to the schools you list on the FAFSA.

If you have questions about federal student aid, you can call 1-800/4-FED-AID or contact your financial aid administrator (FAA). You can also go to the Department's web site at http://www.ed.gov/studentaid

To comment on the design of the FAFSA, *click here* or e-mail your comments to FAFSA_Admin@ncs.com. This address is only for receiving feedback; you will not get a response to any comments you send.

Step One

Purpose. Step One collects identifying information (name, telephone number, address, Social Security Number, and so on) and other information that affects your basic eligibility for federal student aid. For instance, Step One includes a question about citizenship status because you must be a U.S. citizen or eligible noncitizen to receive federal student aid. All students must report income and asset information in Step One. If you are a dependent student, your parents' income and asset information must also be reported, separately, in Step Four.

Name. Your name, along with other identifying information, is used to confirm eligibility with other federal databases.

Because the Department matches the name and Social Security Number (SSN) with the Social Security Administration (SSA), the name provided here should match the name on your Social Security card. Nicknames must not be used. Otherwise, you may receive a comment about the inconsistency, and some of the other federal database confirmation results may be inconsistent.

Permanent Mailing Address. You must give a permanent home mailing address (not a school or office address). An incarcerated student may use his or her school's administrative address. If such a student uses the school's administrative address, the school's financial aid administrator (FAA) must include with the FAFSA a letter from the school indicating that the student is incarcerated and is, therefore, using the school's address.

Use the "State/Country Abbreviations" list when entering your state.

State/Country Abbreviations

AL Alabama	IA Iowa	NC North Carolina	WI Wisconsin
AK Alaska	KS Kansas	ND North Dakota	WY Wyoming
AS American Samoa	KY Kentucky	OH Ohio	Military:
AZ Arizona	LA Louisiana	OK Oklahoma	AA
AR Arkansas	ME Maine	OR Oregon	AE
CA California	MD Maryland	PA Pennsylvania	AP
CO Colorado	MA Massachusetts	PR Puerto Rico	CN Canada
CT Connecticut	MI Michigan	RI Rhode Island	FM Federated
DE Delaware	MN Minnesota	SC South Carolina	States of
DC District of	MS Mississippi	SD South Dakota	Micronesia
Columbia	MO Missouri	TN Tennessee	MH Marshall
FL Florida	MT Montana	TX Texas	Islands
GA Georgia	NE Nebraska	UT Utah	MX Mexico
GU Guam	NV Nevada	VT Vermont	MP Northern
HI Hawaii	NH New Hampshire	VI Virgin Islands	Mariana
ID Idaho	NJ New Jersey	VA Virginia	Islands
IL Illinois	NM New Mexico	WA Washington	PW Palau
IN Indiana	NY New York	WV West Virginia	

Social Security Number (SSN). Generally, you must have a Social Security Number (SSN) to be eligible for federal student financial aid. If you submit a FAFSA without an SSN, the FAFSA will be returned to you unprocessed. The Privacy Act Statement gives information about how your SSN may be used.

To apply for an SSN, or to get a replacement Social Security card if yours has been lost or stolen, you should contact your local Social Security office. For additional information (in English or Spanish), you can call the SSA at

1-800/772-1213 or go to their web site at http://www.ssa.gov

The one **exception** to the SSN requirement is for students from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau. If these students do not have SSNs, they can contact their FAA for assistance or send their FAFSAs to the following address--not to the address on the FAFSAs or on the FAFSA envelopes:

Federal Student Aid Programs
P.O. Box 4010
Mount Vernon, IL 62864-8610

Driver's License Number and State. You must provide your driver's license number or the number on your identification card issued by the state Department of Motor Vehicles. If you do not have a driver's license or identification card, enter "no" in the question that asks whether you have a driver's license and leave the driver's license number question blank.

Citizenship Status. You can receive federal student financial aid if you are a U.S. citizen or an eligible noncitizen. If you have changed from a noncitizen to a citizen, contact the Social Security Administration (SSA) to update your status with that agency. Otherwise, the SSA may report that you are not a citizen, and you will have to provide documentation of citizenship before receiving aid.

Eligible Noncitizen. If you are an eligible noncitizen, enter your eight- or nine- digit Alien Registration Number (ARN). If you answer "yes" to the question asking whether you are a U.S. Citizen, you should not write an ARN in the ARN question. If an ARN is present, the Department will check with the Immigration and Naturalization Service to confirm your status.

For financial aid purposes, an eligible noncitizen is one of the following:

- a U.S. permanent resident who has an Alien Registration Receipt Card (I-151 or I-551)
- a conditional permanent resident (I-151C)
- a noncitizen with an Arrival-Departure record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: "Refugee," "Asylum Granted," "Indefinite Parole," "Humanitarian Parole," or "Cuban-Haitian Entrant."

Not a Citizen or Eligible Noncitizen. If you are in the U.S. on

- an F1 or F2 student visa, or
- a J1 or J2 exchange visitor visa, or
- a G series visa (pertaining to international organizations)

you are neither a citizen nor an eligible noncitizen and are not eligible for federal student aid. However, you may be eligible for state or institutional aid and may therefore wish to complete the FAFSA.

Marital Status. The FAFSA asks about marital status because it directly affects the treatment of your income and assets in the EFC calculation. Marital status **cannot be projected**--you must report your marital status as of the date the application is completed.

Date of Marital Status. You should enter the date you married, became separated, or were widowed. If you never married, leave this question blank. If your current marital status is "divorced," enter the date you separated or became divorced, whichever was earlier.

Enrollment Status. A financial aid administrator (FAA) will look at your expected enrollment status as a factor in determining your financial aid package. If you change your enrollment status, the FAA may be able to adjust your award to reflect this change, depending on the timing of the change, how much aid is available, etc.

You should enter your expected enrollment status for the 1999-2000 school year. If applying to more than one school, you should provide the enrollment status and school terms that apply to the school you are likely to attend. If unsure of your enrollment status, you should select "full time."

If you will be attending a nonterm or clock-hour institution, you should select your enrollment status and the term or terms that most closely match the time you will be enrolled in college.

For undergraduates, *full time* generally means taking at least 12 credit hours in a term or 24 clock hours per week. *Three-quarter time* generally means taking at least 9 credit hours in a term or 18 clock hours per week. *Half time* generally means taking at least 6 credit hours in a term or 12 clock hours per week.

Father's/Mother's Highest School Level. These questions are for state scholarship purposes only and do not affect your eligibility for federal student aid. Some state and institutional programs offer aid to first-generation college students.

Enter the highest grade level completed by your father and mother. *Father* and *mother* in these questions mean your birth parents, adoptive parents, or legal guardian(s), but not stepparents or foster parents. Note that **this definition of parents is unique to these two questions**.

State of Legal Residence. The Department will disclose your FAFSA information to each school listed on the FAFSA, state agencies in your state of legal residence, and state agencies in the state in which the school is listed. State and institutional programs may use the information provided on the FAFSA to determine your eligibility for state and institutional aid.

Your state of legal residence is also used in the EFC calculation to determine the appropriate allowance for state and other taxes paid by that state's residents.

Enter your state of legal residence. Residency (domicile) is your true, fixed, and permanent home. If you are a dependent student, the state of legal residence is usually the state in which your parents live. If you moved into a state for the sole purpose of attending a college, do not count that state as your legal residence. Use the State/Country Abbreviations List to provide the abbreviation for your state.

Be sure to read **Information on the Privacy Act and Use of Your Social Security Number**.

Legal Resident Before 1994. States have varying criteria for determining whether or not you are a resident for purposes of state financial aid. However, all states consider you to be a resident if you became a legal resident of that state more than four years ago. Provide the appropriate answer to whether you became a resident of your state before January 1, 1994.

Date of Legal Residence. Your state will use this information to determine whether you meet its specific residency criteria for state aid. If you answered "no" to the question asking if you became a legal resident of your state before January 1, 1994, provide the date you became a legal resident of your state.

Selective Service Registration. To receive federal student financial aid, male students who are at least 18 years old and born after December 31, 1959 must be registered with Selective Service. Indicate whether you are male.

If you are male, 18 through 25 years of age, and have not registered with Selective Service, you should enter "yes" to give Selective Service permission to register you. Otherwise, you should enter "no." You can also register on the web at http://www.sss.gov

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If you believe that you are not required to register, call Selective Service office at 1-847/688-6888 for information regarding exemptions. Female students should leave the question asking whether they want to be registered with Selective Service blank.

Degree or Certificate. Write in the one-digit code for your expected degree or certificate, using the "Degree/Certificate Code List" below. If your degree or certificate does not fit any of these categories, or if you are undecided, enter "9."

1	1st bachelor's degree
2	2nd bachelor's degree
3	Associate degree (occupational or technical program)
4	Associate degree (general education or transfer program)
5	Certificate or diploma for completing an occupational, technical, or educational program of less than two years
6	Certificate or diploma for completing an occupational, technical, or educational program of at least two years
7	Teaching credential program (nondegree program)
8	Graduate or professional degree
9	Other/undecided

Grade Level During 1999-2000 School Year. Choose from the following:

- Enter 1 for 1st year/never attended college (high school seniors and/or first-time students should choose this grade level)
- Enter 2 for 1st year/attended college before
- Enter 3 for 2nd year/sophomore
- Enter 4 for 3rd year/junior
- Enter 5 for 4th year/senior
- Enter 6 for 5th year/other undergraduate
- Enter 7 for graduate/professional or beyond

Grade level does not mean the number of years you have attended college, but grade level in regard to completing your degree/certificate. (If you are enrolled less-than-full time, it will take longer for you to reach the same grade level than for a full-time student.)

High School Diploma/GED. If you will have received your high school diploma or earned a General Education Development (GED) diploma before the first date of your enrollment in college, you should answer "yes" to this question. Otherwise, the answer is "no."

1st Bachelor's Degree. This question has a direct bearing on your eligibility for Federal Pell Grants and Federal Supplemental Educational Opportunity Grants, which are restricted to students who have not yet received bachelor's degrees. You must answer "yes" to this question if you have (or will have by
July 1, 1999) a degree from a college in the United States, or from a college in another country that is equal to a bachelor's degree. If you incorrectly report "yes" to this question, you will be ineligible for a Pell Grant unless a correction is made.

Types of Aid. These questions ask you to indicate what types of aid, in addition to grants, you are interested in receiving. Please note that although the FAFSA assumes you are interested in grant aid (aid you do not have to pay back), you are not required to accept any grants offered to you.

Federal, state, and institutional programs all may use the information from this question to determine what types of aid to award students. If you are not sure, you should answer "yes" to both of these questions and will be considered for all types of aid that are available. You can decline any aid that is later awarded and that you do not want. If your parents wish to take out loans for your education, check "yes" to "student loans."

Veterans' Education Benefits. Veterans' education benefits information is **not** used in the EFC calculation; it is collected in this section for the school to use when putting together your aid package. If you receive veterans' education benefits, you must report the amount of monthly benefits that you expect to receive during the school year (from July 1, 1999 through June 30, 2000). Such benefits include

- Selective Reserve Pay (Montgomery GI Bill--Chapter 106),
- New GI Bill (Montgomery GI Bill--Chapter 30),
- Post-Vietnam Veterans Educational Assistance Program (VEAP) (Chapter 32),
- Vocational Rehabilitation (Chapter 31),
- REPS (Restored Entitlement Program for Survivors--Section 156),
- Educational Assistance Program (Chapter 107), and
- Dependents Educational Assistance Program (Chapter 35).

Your (The Student's) Income and Tax Information

The EFC calculation, produced by Congressional formula, uses a family's income, household size, and certain expenses to determine if the family has any discretionary income. If the family has discretionary income, a portion, and only a

portion, of that income is included in the EFC as available for the student's educational costs.

Both dependent and independent students must provide income and asset information in Step One. **If an answer is zero or a question does not apply to you, enter 0 (zero).** (Independent students do not need to enter their parents' income and asset information in Step Four. If you are dependent, however, your parents are required to report their income and asset information, separately, in Step Four.)

The income and assets section collects information on your (and your spouse's, if applicable), base-year income as well as income tax paid, tax-filing status, and the number of exemptions claimed. For 1999-2000, the base year is 1998. Each question gives 1998 IRS tax form line references.

Please **click here** for instructions if you are married, divorced, separated, or widowed. If you are not married, you should answer the questions for yourself only and ignore the references on the FAFSA to "spouse."

*If you are **married** at the time you submit the FAFSA, even if you were not married in 1998, both your **and** your spouse's income and assets must be reported. If you are married and you and your spouse filed (or will file) **separate tax returns** for 1998, be sure to include both your and your spouse's exemptions and income for the income questions, **even if you were not married in 1998**.*

*If you are currently **divorced, separated, or widowed**, but filed (or will file) a joint tax return for 1998, you should give only your portion of the exemptions, income, and taxes paid for the income and asset questions.*

Even if you (and your spouse) **are not required to file an income tax return for 1998**, you will need to calculate your earnings for the year. Use W-2 Forms and other records to answer the questions here.

It is best if you (and your spouse) file your income tax returns before filling out this application. However, if you have not filed your income tax return, you should calculate your adjusted gross income (AGI) using the AGI Worksheet. When your application is compared with the tax return that you and your spouse actually file, the financial information must agree. If there are differences, you will need to correct the information and send it back to the U.S. Department of Education. This could mean a delay in getting student financial aid.

Information from one of the following 1998 income tax forms may be listed on the FAFSA in the same manner as U.S. tax information: the income tax return required by the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federal States of

Micronesia, or Palau. The amounts on these returns are already reported in U.S. dollars.

Foreign Income

Income earned in a foreign country is treated in the same way as income earned in the United States if taxes were paid to the central government of that country. You should report the value of the foreign income in U.S. dollars (using the exchange rate at the time of application) as both the Adjusted Gross Income line item and as the "income earned from work" line item. Information about exchange rates can be found by searching on line, using the key words "exchange rates."

You should also include the value of any taxes paid to the foreign government on the "U.S. income tax paid" line item. If the income earned in the foreign country was not taxed by the central government of that country, the income should be reported as untaxed income on the FAFSA.

In many cases, if you file a return with the IRS for a year in which foreign income was earned, a portion of the foreign income can be excluded on IRS Form 2555 for U.S. tax purposes. The figure reported on line 43 of Form 2555 (or line 18 of Form 2555EZ) should be reported as "untaxed income" on Worksheet A on page 8 of the paper FAFSA. The final total for the Form 2555 must not be reported as untaxed income because it contains other exclusions.

Filing Return. Indicate whether or not you have already filed or are going to file a tax return for 1998.

Type of Return Filed. Indicate which tax form was filed or will be filed for 1998.

Eligible to File a 1040A or 1040EZ. If you (and your spouse) were **eligible to file a 1040A or 1040EZ**, you must indicate your eligibility to file one of these forms (even if you **filed a 1998 IRS Form 1040**). For instance, tax preparers often file a Form 1040 or an electronic 1040 on behalf of a tax filer, even though that person's income and tax filing circumstances would allow him or her to file a 1040A or 1040EZ. If you (and your spouse) are not required to file a Form 1040, then you must indicate eligibility to file a 1040A or 1040EZ.

In general, you (and your spouse) are eligible to file a 1040A or 1040EZ if you make less than $50,000, do not itemize deductions, do not receive income from your own business or farm, and do not receive alimony or capital gains. You

(and your spouse) are not eligible if you receive self-employment income, alimony, or capital gains, or itemize deductions.

Adjusted Gross Income. You must provide your (and your spouse's) Adjusted Gross Income (AGI) for 1998, found on IRS 1040 – line 33; 1040A – line 18; or 1040EZ – line 4. If you do not have a 1998 tax form but will be filing one, you should use the AGI Worksheet to calculate your AGI. Note that AGI includes more than just wages earned; for example, alimony, Social Security, and business income are also included in AGI. Please see the AGI Worksheet for a complete breakdown of the types of taxable income included in your AGI.

Use this Worksheet to calculate 1998 Adjusted Gross Income

Wages, salaries, tips, etc.	_____
Interest Income	+_____
Dividends	+_____
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, Social Security, Railroad Retirement, and all other taxable income).	+_____
Add all of the numbers in the column.	=_____
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, one half of self-Employment tax, self-employed health insurance deduction, interest penalty on early withdrawal of savings, and alimony paid	-_____
TOTAL - Use this amount for Adjusted Gross Income.	=_____

Income Tax. Enter the amount of 1998 income tax you (and your spouse) paid from IRS 1040-line 49; 1040A-line 32; 1040EZ-line 10; or 1040Telefile-line J. Make sure this amount does **not** include any FICA, self-employment, or other taxes from Form 1040. Do **not** copy the amount of federal income tax withheld from a W-2 form. If you did not pay any income tax in 1998, enter zero (0).

Exemptions. Enter the total amount of your (and your spouse's) exemptions. Exemptions are on IRS 1040-line 6d or 1040A-line 6d. On the 1040EZ, if you answered "yes" on 1040EZ-line 5, use Line F to determine the

number of exemptions ($2700 equals one exemption). If you answered "no" on line 5, you should enter "**01**" if single or "**02**" if married.

If currently divorced, separated, or widowed, but you have filed or will file a joint tax return for 1998, you should give only your portion of the exemptions.

Earned Income Credit. Enter the Earned Income Credit (EIC) from IRS 1040 – line 59a; 1040A – line 37a; 1040EZ – line 8a. If this question does not apply to you, enter zero (0).

Student's Income Earned. When the Department's CPS calculates your EFC, certain allowances are deducted from your (and your spouse's) income for required and necessary expenses (like taxes and basic living costs). The amount you provide for income earned from work (including Federal Work-Study and other need-based employment earnings) is used to calculate these allowances according to a formula set by Congress. The income earned from work will also be used in the EFC calculation as an income factor when no AGI is reported.

If you filed (or will file) a tax return, you should include the "wages, salaries, tips, etc." from IRS form 1040-line 7; 1040A-line 7; 1040EZ-line 1. Even if you filed a joint return, you must report your and your spouse's earnings **separately. If you own a business or farm**, you should also add in the figures from 1040-lines 12 and 18.

If you did not file a tax return, you should report your earnings from work in 1998. Add up the earnings from your W-2 forms and any other earnings from work that are not included on the W-2 forms.

Spouse's Income Earned. **Use the instructions in the "Student's Income Earned"** ***section to answer this question.***

Untaxed Income and Benefits. Enter the total from Worksheet A (found on page 8 of the paper FAFSA). Worksheet A collects information about certain untaxed income and benefits. Do not include on Worksheet A any income and benefits reported elsewhere on the application.

Items to report here include:

Deductible IRA and/or Keogh payments. If you (and your spouse) are eligible to exclude payments to an IRA/Keogh from taxation, those payments are reported as untaxed income. If payments to other pension funds are not excluded for tax purposes, they would already be included in AGI.

IRA/Keogh payments can be found on IRS 1040 – total of lines 23 and 29; 1040A – line 15.

You must report money paid **into** tax-sheltered or deferred annuities (whether paid directly or withheld from earnings), as reported on the W-2 form. You must include untaxed portions of 401(k) and 403(b) plans. In addition, any payments **from** an untaxed portion of a pension or annuity must be reported as taxable income or untaxed income, as appropriate. The full amount of the distribution must be reported, whether it was a lump-sum or an annual distribution. The untaxed portion of such a pension and/or annuity payment can be calculated by adding Form 1040 – (line 15a minus line 15b) *plus* (line 16a minus line 16b); or 1040A (line 10a minus line 10b) *plus* (line 11a minus line 11b). Note that **employer contributions to tax-deferred pension and savings plans should not be reported** on the FAFSA as an untaxed benefit.

The only **exception to reporting pension** distributions as income is when the **pension distribution is rolled over** to another retirement plan in the same tax year.

Untaxed Social Security payments. If Social Security Benefits are paid to your parents on your behalf (because you were under 18 years old at the time), those benefits are reported as your parents' income, not your income.

Benefits received on behalf of dependents. If you, as head of household, receive benefits on behalf of persons included in household size, these benefits must be reported as your income. However, if a member of the household, such as an uncle or grandmother, receives benefits in his or her own name, you (as head of household) do not report those benefits. (Remember, such persons may not be included in household size if they receive in their own names more than half of their support through such benefits.) Because student financial aid is not counted as income, tuition benefits you receive for a dependent (for example, from your employer) are not included as untaxed income.

Underpayments and overpayments of benefits. The actual amount of benefits received for the year in question must be reported, even if that amount represents an underpayment or an overpayment that may be compensated for in the next year. This parallels the IRS treatment of overpayments of taxable income (such as salary) that must be reported and are taxed as any other income. However, if the underpayment or overpayment was adjusted in the same year, only the net amount received during that year would be reported.

Housing allowances. Housing allowances provided to you or your spouse must be reported. This applies to compensation that some people, particularly clergy and military personnel, receive for their jobs. If you received

free room and board in 1998 for a job that was not awarded as student financial aid, you must report the value of the room and board as untaxed income. (This category, "housing allowances," excludes rent subsidies for low-income housing.)

Other untaxed income and benefits. You must report VA Educational Work-Study allowances as untaxed income. However, do **not** include contributions to, or payments from, flexible spending arrangements (also known as "cafeteria plans"), because these are essentially employee benefit programs.

Cash payments. Any cash support you receive from a friend or relative (other than your parents, if you are a dependent student) must be reported as untaxed income. Cash support includes payments made on your behalf. For instance, if your aunt pays your rent or utility bill, you must report those payments as untaxed income on the application.

Certain income and benefits should **not** be reported on this worksheet:

- **Student financial aid**. Student aid received is already taken into account when a school packages your aid. However, work-study earnings must be reported as taxed income, and then excluded (on Worksheet A).
- **Food stamps and other "in-kind" assistance**. Benefits received from federal, state, or local governments from the following programs are not counted as untaxed income: the Food Stamp Program, Women, Infants, and Children Program; Food Distribution Program; Commodity Supplemental Food Program; National School Lunch and School Breakfast Programs; Summer Food Service Program; and Special Milk Program for Children.
- **Child-care benefits**. The value of daycare services provided by government or private programs should not be reported, as they are also a form of in-kind income. (Note: Some states provide reimbursement for childcare expenses incurred by welfare recipients through TANF. These benefits are reported on the application because the individual bills the state for the amount of childcare costs incurred while on welfare and is reimbursed on that basis.)
- **Per capita payments to Native Americans**. Individual per capita payments received in 1998 from the Per Capita Act or the Distribution of Judgment Funds Act should not be reported unless any individual payment exceeds $2,000. Thus, if an individual payment were $1,500, it would not be reported on an application. However, if a payment were $2,500, the amount that exceeds $2,000--$500--would be reported as untaxed income.

- **Heating/fuel assistance**. Exclude from consideration as income or resources any payments or allowances received under the Low-Income Home Energy Assistance Act (LIHEA). (Note: Payments under the LIHEA are made through state programs that may have different names.)

Exclusions from Taxed Income. Worksheet B on page 8 of the FAFSA will help you calculate exclusions from taxed income, such as work-study earnings. Do not include on Worksheet B any income or benefits reported elsewhere on the application. Because the items listed in this worksheet will be entered on the form and excluded from income when the CPS performs the EFC calculation, you should **not** subtract them from your responses to the income questions in Step One. These amounts should be calculated on the basis of what was received between January 1, 1998 and December 31, 1998, not on what was received during the school year. Do not include on Worksheet B any income or benefits that have been reported elsewhere on the application.

Child-support payments. Any child-support payments paid during 1998 by you (or your spouse) because of divorce or separation should be reported as an exclusion if your (or your spouse's) income is reported on the FAFSA. Do not include support for children in your household, as reported in the "number in household" question. For purposes of the FAFSA, a child is a member of your household if you provide more than half of the child's support, whether or not the child lives with you.

Taxable Earnings from work-study or other need-based work programs. Earnings from work are reported as income on the financial aid application as part of AGI or income earned. However, if those earnings are part of a financial aid package and are intended as need-based financial assistance, they are also reported on Worksheet B.

AmeriCorps awards. The National and Community Service Trust Act of 1993 allows people to earn postsecondary tuition funds by filling unmet community needs. Any living allowance or benefits (**but not earnings**) received under this program should be reported on Worksheet B.

Grant and scholarship aid. Any grant and scholarship aid that was reported on your 1998 income tax form (because it was in excess of tuition, fees, books, and required supplies) should be reported on Worksheet B.

Asset Information

The purpose of collecting asset information is to determine if your family's assets are substantial enough to support a contribution toward your cost of attendance (COA). Only the net asset value is counted in the need analysis. Any debts

against assets are subtracted from asset value. The formula set by Congress to determine your EFC protects a certain portion of an independent student's assets. The remaining asset amount is expected to be available for meeting education expenses, and the Congressionally determined need analysis formula assesses only a portion of those available assets.

An asset is defined as property that has an exchange value. You should not report as assets possessions such as a car, a stereo, clothes, or furniture.

Previous versions of the FAFSA required students to complete a Simplified Needs Worksheet to determine whether they would be required to list their assets in the assets section of the FAFSA. A dependent student was not required to fill out asset information if his or her parents' AGI was less than $50,000 and the student and his or her parents were not required to file IRS Form 1040. An independent student did not have to complete the asset section when a student's (or a married couple's) AGI was less than $50,000 and the student (or married couple) was not required to file an IRS Form 1040.

The current FAFSA, however, requires **all** students to answer the asset questions in Step One, and all parents of dependent students to answer the asset questions in Step Four. While the current FAFSA does not require you to complete a Simplified Needs Worksheet, the Department's CPS will determine whether you qualify for a Simplified Needs calculation. If you do qualify for the Simplified Needs calculation, your assets (and your spouse's assets, if you are independent), will not be taken into account when determining your EFC for federal student aid. However, state agencies, private scholarship groups, postsecondary schools, or other groups may use the asset information for nonfederal student aid purposes.

Ownership of an Asset

There are several situations where the ownership of an asset may be divided or contested:

- **Part ownership of asset**. If you (or your spouse) have only part ownership of an asset, you (or your spouse) should report only that part. Generally, the value of an asset and debts against it should be divided equally by the number of people who share ownership, unless the share of the asset is determined by the amount invested or the terms of the arrangement specify some other means of division.
- **Contested ownership**. Assets should not be reported if the ownership is being contested. For instance, if you and your spouse are separated and you may not sell or borrow against jointly owned property that is being contested, the FAFSA information you report would not list any value for the property or

any debts against it. If ownership of an asset is resolved after the initial application is filed, you are not required to update this information. However, if the ownership of the property is not being contested, you would report the property as an asset.

- **Lien against asset**. If there is a lien or imminent foreclosure against the asset, the asset would still be reported until the party holding the lien or making the foreclosure completes legal action to take possession of the asset.

Assets that are not Reported

Some assets that are not reported follow:

- Pensions and whole life insurance. The value of a pension is not counted as an asset on the FAFSA, but income from a pension, distributed either as a lump sum or incrementally, must be reported. The cash value or built-up equity of a life insurance policy (often referred to as a whole-life policy) is not reported as an asset.

- Principal place of residence/family farm. Your principal place of residence is not reported as an asset. Neither is your family farm if the farm is the principal place of residence and your family claimed on Schedule F of the tax return that it "materially participated in the farm's operation." In certain instances, however, even if the family farm is incorporated and your family files a corporate return instead of IRS Schedule F, the value and debt of the farm are not reported on the FAFSA. In such cases, you must show evidence that family members own all shares of stock in the corporation and that those family members also reside on the farm.

Total Current Cash, Savings and Checking Account Balance. Include the balance of checking or savings accounts **as of the date the FAFSA is signed** unless you (and your spouse) do not have access to the money because the state declared a bank emergency due to the insolvency of a private deposit insurance fund.

Net Worth of Investments. "Investments" include both real estate and other investments. Real estate includes rental property, land, and second or summer homes. Include the value of portions of multifamily dwellings that are not your principal residence. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and

strategic metals, etc. Do not include your home. Please click here for more information on real estate and other investments.

Investment value - Investment Debt = Net Worth of Investments

If you (and your spouse) own real estate or investments other than your principal residence, their value equals the amount they are worth today.
Do not write this amount in for net worth of investments.

Investment debt equals how much you (and/or your spouse) owe on other real estate and investments. Investment debt means only those debts that are related to the investments. ***Do not write this amount in for net worth of investments.***

Subtract the amount of the debt on these assets from their value. ***Write this amount in for net worth of investments.***

Real Estate and Other Investments

Rental properties. *Generally, rental properties must be reported as investment assets rather than as business assets. To be reported as a business, a rental property would have to be part of a formally recognized business. (Usually such a business would provide additional services, such as regular cleaning, linen, or maid service.)*

"Take-back" mortgages. *In a "take-back" mortgage, the seller takes back a portion of the mortgage from the buyer and arranges for the buyer to repay that portion of the mortgage to the seller. For IRS purposes, the seller must report the interest portion of any payments received from the buyer on Schedule B of IRS Form 1040. Therefore, if an amount is reported on this line of the tax return, the family probably has an asset that should be reported on the FAFSA.*

Trust funds and tuition prepayment plans. *If trust funds are in your (or your spouse's) name, they should be reported as your (or your spouse's) asset on the application. In the case of divorce or separation, where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided between the owners for reporting purposes, unless the terms of the trust specify some other method of division.*

How the trust must be reported varies according to whether you receive or will receive the interest income, the trust principal, or both. If you (or your spouse) receive only the interest from the trust, any interest received in the base year must be reported as income. Even if the interest accumulates in the trust and is not paid out during the year, the person who will receive the interest must report an asset value for the interest he or she will receive in the future. The trust officer

can usually calculate the present value of the interest the person will receive while the trust exists. This value represents the amount a third person would be willing to pay to receive the interest income that you (or your spouse) will receive from the trust in the future.

The present value of the principal is the amount that a third person would pay at the present for the right to receive the principal when the trust ends (basically, the amount that one would have to deposit now to receive the amount of the principal when the trust ends, including the accumulated interest). Again, the present value can be calculated by the trust officer.

As a general rule, you must report the present value of the trust as an asset, even if your (the beneficiary's) access to the trust is restricted. If the creator of a trust has voluntarily placed restrictions on the use of the trust, then you should report the trust in the same manner as if there were no restrictions. However, if a trust has been restricted by court order, you should not report it as an asset. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

Note that the value of a Michigan Education Trust and all similar tuition prepayment plans are excluded from being reported as assets on the FAFSA. (The annual value of the tuition prepayment will be taken into account when the school packages your aid.)

Net Worth of Business. Business value includes the market value of land, buildings, machinery, equipment, inventories, etc. You should not include your primary home, even if it is part of the business.

Business Value - Business Debt = Net Worth of Business

For business value, if you (and/or your spouse) own a business, first figure out how much the business is worth today. ***Do not write this amount in for net worth of business.***

Business debts are what you (and/or your spouse) owe on the business. Include only the present mortgage and related debts for which the business was used as collateral. ***Do not write this amount in for net worth of business.***

Subtract the amount of business debt from the business value. ***Write in this amount for net worth of business.***

Note that when current market value for a business is reported, it must be the amount for which the business could sell as of the date of the application. Also, if you are not the sole owner of the business, you should report only your share of the value and the debt.

Net Worth of Investment Farm. An investment farm is any farm that does not meet the definition of a *family farm*. **[Click here to link to fam farm definition]** Investment farms include the market value of land, buildings, machinery, equipment, livestock, inventories, etc.

Note that when current market value for a farm is reported, it must be the amount for which the farm could sell as of the date of the application. Also, if you are not the sole owner of the farm, you should report only your share of the value and the debt.

As noted earlier, do not report a family farm as an asset.

Investment Farm Value - Investment Farm Debt = Net Worth of Investment Farm

For investment farm value, if you (and/or your spouse) own an investment farm, first figure out how much the investment farm is worth today. ***Do not write this amount in for net worth of investment farm.***

Investment farm debt is what you (and/or your spouse) owe on the investment farm. Include only the present mortgage and related debts for which the farm was used as collateral. ***Do not write this amount in for net worth of investment farm.***

To determine net worth of an investment farm, subtract the amount of investment farm debt from investment farm value. The investment farm debt reported should include the unpaid mortgage and related debts, as well as any loan for which farm assets were used as collateral. ***Write in this amount for net worth of investment farm.***

Step Two

Purpose. The information you provide in this section will determine how you complete the remainder of the FAFSA. The questions in Step Two are used to determine, according to the law, whether you are a dependent or an independent student for purposes of calculating an EFC. If you answer "no" to all of the questions in Step Two, you are a dependent student. An FAA may make an otherwise dependent student independent in individual cases if he or she determines that such an action is appropriate.

A dependent student provides information about himself or herself in the yellow areas and about his or her parents in the purple areas. The dependent student and at least one parent whose information is provided in Step Four must sign the FAFSA. An independent student gives information only about himself or herself and about his or her spouse (if married) in the **yellow areas only.** The independent student must sign the FAFSA.

You are considered independent if you meet at least one of the following criteria:

1) you were born before January 1, 1976;

2) you will be working on a degree beyond a bachelor's degree in school year 1999-2000; *You should answer "yes" if you will be enrolled in a graduate or professional program (a course of study beyond a bachelor's degree) in the first term of 1999-2000. If your graduate status will change during the school year, notify your FAA.*

A graduate or professional student is not eligible for a Federal Pell Grant, so if you incorrectly report that you are a graduate or professional student, you will need to submit a correction to receive a Pell Grant.

3) you are legally married on the date you sign the application; *"Married" does not mean living together unless your state recognizes your relationship as common-law marriage.*

4) you are an orphan or a ward of the court (or were a ward of the court until reaching the age of 18); *You should answer "yes" if you are currently a ward of the court or were a ward of the court until age 18, or both your parents are dead and you do not have an adoptive parent. If your parents are dead, but you have legal guardian(s), you are considered to be an orphan for purposes of completing the FAFSA.*

You are not considered a ward of the court based solely on being incarcerated.

5) you are a veteran of the U.S. Armed Forces (Army, Navy, Air Force, Marine Corps, or Coast Guard); *You should answer "**yes**" (you are a veteran) if*

- you have engaged in active service in the U.S. Armed forces (Army, Navy, Air Force, Marine Corps, or Coast Guard), or were a cadet or midshipman at one of the service academies, and
- you were released (or will be released by June 30, 2000) under a condition other than dishonorable.

*You should also answer "**yes**" if you are not a veteran now but will be one by June 30, 2000.*

If you are currently an ROTC student, a cadet or midshipman at a service academy, or a National Guard or Reserves enlistee (and have not been activated for duty), you are **not** considered a veteran.

You should also answer "no" if you are currently serving in the U.S. Armed Forces and will continue to serve through June 30, 2000.

6) you have

- children who receive more than half of their support from you; or
- dependents (other than your children or spouse) who live with you and currently receive more than half of their support from you, and will continue to receive that support through June 30, 2000.

Step Three

Purpose. The number of family members reported determines the income protection allowance that will be subtracted from your family's income to account for basic living expenses. The number of family members in college directly affects your family's ability to contribute to your education costs. Your EFC is divided by the number of family members in college. You should only complete this step if you answered "yes" to any of the questions in Step Two.

Number in Student's (and Spouse's) Household. The following persons are included in the household size of an independent student:

- **you**;
- **your spouse**, excluding a spouse not living in the household as a result of death, separation, or divorce;
- **your children**, if they received or will receive more than half of their support from your household between July 1, 1999 and June 30, 2000;
- **your unborn child**, if that child will be born before or during the award year and your household will provide more than half of the child's support from the projected date of birth to the end of the award year (if there is a medical determination of a multiple birth, then all expected children can be included); and
- **other persons**, if they live with you and receive more than half of their support from your household at the time of application and will continue to receive that support for the entire 1999-2000 award year (July 1, 1999 through June 30, 2000).

To determine whether to include children in the household size, the "support" test is used (rather than a residency requirement) because there may be situations in which you support a child who does not live with you, especially in cases of divorce or separation. In such cases, the parent who provides more than half of the child's support may claim the child in his or her household size. If

you receive benefits (such as Social Security or AFDC payments) in the child's name, these benefits must be counted as parental support to the child.

Support includes money, gifts, loans, housing, food, clothes, cars, medical and dental care, payment of college costs, etc.

Number of College Students in Household. This question asks about the number of household members who, in 1999-2000, are or will be enrolled in a postsecondary school for at least 6 credit hours in at least one term, or for at least 12 clock hours per week, even if they do not complete a term. To be counted, the enrolled household member must be working toward a degree or certificate leading to a recognized education credential at a postsecondary school that is eligible to participate in any of the federal student aid programs. **You (the student applying for aid) should always be included, even if you are not working toward a degree or certificate at a participating school, *or* even if you are enrolled less-than-half time**.

Step Four

Purpose. The income and assets section collects information on your parents' base-year income (if you are dependent), as well as income tax paid, tax-filing status, and the number of exemptions claimed. The base year for your parents for 1999-2000 is the 1998 tax year. Each question gives the appropriate line reference(s) to the 1998 IRS tax form.

Who is Considered a Parent in This Step?

The term "parent" is not restricted to your biological parents. There are several instances in which a person other than your biological parent is treated as your parent, and in these instances, the parental questions on the application must be answered as they apply to such an individual (or individuals).

If your parents are both living and married to each other, answer the questions about both of them.

If your parents are living together and have not been formally married but meet the criteria in their state for a common-law marriage, they should report their status as married on the application. If the state does not consider their situation to be a common-law marriage, then your parents should file the FAFSA as if they are separated. Check with the appropriate state agency concerning the definition of a common-law marriage.

An adoptive parent is treated in the same manner as biological parents.

A foster parent is not treated as a parent.

If one, but not both, of your parents has died, you should answer the parental questions about the surviving parent. Do not report any financial information for the deceased parent on the FAFSA. If the widowed parent is remarried as of the date you complete the FAFSA, answer the questions about both that parent and the person whom your parent married. If both your parents are deceased when you fill out the FAFSA, you must answer "yes" to the question that asks whether you are an orphan, which will make you an independent student. If the surviving parent dies after the FAFSA has been filed, you must submit a correction to update your dependency status and all other information as appropriate.

If your parents are divorced, answer the questions about the parent you lived with most during the past 12 months. If you did not live with one parent more than the other, answer in terms of the one parent who provided the most financial support during the last 12 months, or during the most recent year you were actually supported by one parent. If this parent has remarried as of today, answer the questions on the remaining sections of the FAFSA about that parent and the person that parent married.

A stepparent is treated in the same manner as a biological parent if the stepparent is married, as of the date of application, to your biological parent whose information will be reported on the FAFSA, or if you have been legally adopted by the stepparent. There are no exceptions. The federal need analysis system does not recognize prenuptial agreements. If the biological parent has died and the stepparent survives, then you are independent (assuming you are not dependent on the surviving biological parent), unless the stepparent legally adopted you. Note that the stepparent's income information for the entire base year, 1998, must be reported even if the parent and stepparent were not married until after 1998.

A legal guardian is not treated as a parent for purposes of filing a FAFSA.

If your parents are **legally separated**, the same rules as for a divorce should be used to determine which parent's information must be reported. If the state where your parents reside requires a couple to live apart to be considered legally separated, your parents cannot be considered legally separated if they live together, and both incomes must be reported. If your parents are **informally separated**, that is, they consider themselves separated when one of them has left the household for an indefinite period of time, only the responsible parent's income must be reported. However, if your parents still live in the same house, they would not be considered separated, and information for both parents must be reported.

Parents' Income and Tax Information

The EFC calculation uses a family's income, household size, and other expenses to determine if the family has any discretionary income. If the family has discretionary income, a portion, and only a portion, of that income is included in the EFC as available for the student's educational costs.

If an answer is zero or a question does not apply to your parents, enter zero (0).

The income and assets section collects information on your parents' base-year income as well as income tax paid, tax-filing status, and the number of exemptions claimed. For 1999-2000, the base year is 1998. Each question gives 1998 IRS tax form line references.

If your parents are married and your parent and his or her spouse filed (or will file) **separate tax returns** for 1998, be sure to include both person's exemptions and income for the income questions, **even if they were not married in 1998**.

Even if your parents **are not required to file an income tax return for 1998**, they will need to know earnings for the year. Use W-2 Forms and other records to answer the questions here.

It is best if your parents file their income tax returns before filling out this application. However, if your parents have not filed their return, they should calculate their adjusted gross income (AGI) using the AGI Worksheet. When your application is compared with the tax return that you and your family actually file, the financial information must agree. If there are differences, you will need to correct the information and send it back to the Department. This could mean a delay in getting student financial aid.

Information from one of the following 1998 income tax forms may be listed on the FAFSA in the same manner as U.S. tax information: the income tax return required by the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federal States of Micronesia, or Palau. The amounts on these returns are already reported in U.S. dollars.

Foreign Income

Income earned in a foreign country is treated in the same way as income earned in the United States, if taxes were paid to the central government of that country. Parents should report the value of the foreign income in U.S. dollars (using the exchange rate at the time of application) as the Adjusted Gross Income line item and as the "income earned from work" line item.

Parents should also include the value of any taxes paid to the foreign government on the "U.S. income tax paid" line item. (If the income earned in the foreign country was not taxed by the central government of that country, the income should be reported as untaxed income.)

In many cases, if your parent files a return with the IRS for a year in which foreign income was earned, a portion of the foreign income can be excluded on IRS Form 2555 for U.S. tax purposes. The figure reported on line 43 of Form 2555 (or line 18 of Form 2555EZ) should be reported as "untaxed income" on Worksheet A on page 8 of the paper FAFSA. The final total for Form 2555 must not be reported as untaxed income because it contains other exclusions.

Filing Return. Indicate whether or not your parents have already filed, are going to file, or will not file a tax return for 1998.

Type of Return Filed. Indicate which tax form your parents filed or will file for 1998.

Eligible to File a 1040A or 1040EZ. If your parents were **eligible to file a 1040A or 1040EZ**, they must indicate their eligibility to file one of these forms (even if they **filed a 1998 IRS Form 1040**). Tax preparers often file a Form 1040 or an electronic 1040 on behalf of the tax filer, even though that person's income and tax filing circumstances would allow him or her to file a 1040A or 1040EZ. If your parents are not required to file a Form 1040, then they must indicate eligibility to file a 1040A or 1040EZ.

In general, your parent(s) (whether single or married) are eligible to file a 1040A or 1040EZ if your parent(s) make less than $50,000, do not itemize deductions, do not receive income from their own business or farm, and do not receive alimony or capital gains. Your parent(s) are not eligible if they receive self-employment income, alimony, or capital gains, or itemize deductions.

Adjusted Gross Income. Your parents must provide their Adjusted Gross Income (AGI) for 1998, found on IRS 1040 – line 33; 1040A – line 18; or 1040EZ – line 4. If your parents do not have a 1998 tax form but will be filing one, they should use the AGI Worksheet to calculate AGI. Note that AGI includes more than just wages earned; for example, alimony, Social Security, and business income are also included in AGI. Please see the AGI Worksheet for a complete breakdown of the types of taxable income included in AGI.

Use this Worksheet to calculate Parents' 1998 Adjusted Gross Income

Wages, salaries, tips, etc.	_____
Interest Income	+_____
Dividends	+_____
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, Social Security, Railroad Retirement, and all other taxable income).	+_____
Add all of the numbers in the column.	=_____
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, one half of self-Employment tax, self-employed health insurance deduction, interest penalty on early withdrawal of savings, and alimony paid	-_____
TOTAL - Use this amount for Adjusted Gross Income.	=_____

Income Tax. Enter the amount of 1998 income tax your parents paid from IRS 1040-line 49; 1040A-line 32; 1040EZ-line 10; or 1040Telefile-line J. Make sure this amount does **not** include any FICA, self-employment, or other taxes from Form 1040. Do **not** copy the amount of federal income tax withheld from a W-2 form.

Exemptions. Enter the total amount of your parents' exemptions. Exemptions are on IRS 1040-line 6d or 1040A-line 6d. On the 1040EZ, if your parents answered "yes" on 1040EZ-line 5, use Line F to determine the number of exemptions ($2700 equals one exemption). If he or she answered "no" on line 5, your parent should enter "**01**" if single or "**02**" if married.

If currently divorced, separated, or widowed, but your parent has filed or will file a joint tax return for 1998, he or she should give only his or her portion of the exemptions. See "Who is Considered a Parent in This Step" for more information about whose information should be reported.

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Earned Income Credit. Enter the Earned Income Credit (EIC) from IRS 1040 – line 59a; 1040A – line 37a; 1040EZ – line 8a. If this question does not apply to your parents, they should enter zero (0).

Parent's (Father's) Income Earned. When your EFC is calculated, certain allowances are deducted from your parents' income for required and necessary expenses (like taxes and basic living costs). The amount your parents provide for income earned from work is used to calculate these allowances according to a formula set by Congress. Your parents' income earned from work will also be used in the EFC calculation as an income factor when no AGI is reported.

If your parents filed (or will file) a 1998 tax return, they should include the "wages, salaries, tips, etc." from the IRS 1040-line 7, 1040A-line 7, 1040EZ-line 1. Even if your parents filed a joint return, report each spouse's earnings **separately. If your parents own a business or farm**, they should also add in the numbers from 1040-lines 12 and 18.

If your parents will not file a 1998 tax return, they should report earnings from work in 1998. Add up the earnings from W-2 forms and any other earnings from work that are not included on the W-2 forms.

Parent's (Mother's) Income Earned **Use the instructions from the "Parent's (Father's) Income Earned" section to answer this question.**

Untaxed Income and Benefits. Enter the total for Worksheet A (found on page 8 of the FAFSA). Worksheet A collects information about certain untaxed income and benefits. Your parents must be sure not to include any of the income or benefits already reported elsewhere on the application.

Items to report here include:

Deductible IRA and or Keogh payments. If your parent(s) is eligible to exclude payments to an IRA/Keogh from taxation, those payments are reported as untaxed income. If payments to other pension funds are not excluded for tax purposes, they would already be included in AGI. IRA/Keogh payments can be found on IRS 1040 – total of lines 23 and 29; 1040A – line 15.

Your parents must report money paid **into** tax-sheltered or deferred annuities (whether paid directly or withheld from earnings), as reported on the W-2 form. Your parents must include untaxed portions of 401(k) and 403(b) plans. In addition, any payments **from** an untaxed portion of a pension or annuity must be reported on the application, either as taxable income or untaxed income, as appropriate. The full amount of the distribution must be reported, whether it was a lump-sum or an annual distribution. Untaxed portions of pensions and

annuities can be calculated by adding Form 1040 – (line 15a minus line 15b) *plus* (line 16a minus line 16b); or 1040A (line 10a minus line 10b) *plus* (line 11a minus line 11b). Note that **employer contributions to tax-deferred pension and savings plans should not be reported** on the FAFSA as an untaxed benefit.

The only **exception to reporting pension** distributions as income is when the **pension distribution is rolled over** to another retirement plan in the same tax year.

Benefits received on behalf of dependents. Any benefits received by the head of household on behalf of persons included in household size must be reported as income to the head of the household. If Social Security Benefits, for example, are paid to your parents on your behalf (because you were under 18 years old at the time), those benefits are reported as your parents' income, not your income. However, if a member of the household, such as an uncle or grandmother, receives benefits in his or her own name, those benefits are not reported as income of the head of household. (Remember, such persons may not be included in household size if they receive in their own names more than half of their support through such benefits.) Because student financial aid is not counted as income, tuition benefits a parent receives for a dependent (for example, from the parent's employer) are not included as untaxed income but as a resource and as estimated financial assistance.

Underpayments and overpayments of benefits. The actual amount of benefits received for the year in question must be reported, even if that amount represents an underpayment or an overpayment that may be compensated for in the next year. This parallels the IRS treatment of overpayments of taxable income (such as salary) that must be reported and are taxed as any other income. However, if the underpayment or overpayment was adjusted in the same year, only the net amount received during that year would be reported.

Housing allowances. Housing allowances provided to your parents must be reported. This applies to compensation that some people, particularly clergy and military personnel, receive for their jobs. If your parent receives money to pay rent, he or she should list the amount of money received. If your parent receives use of a house or apartment, he or she should report the amount that he or she would pay to rent a comparable house or apartment (market value). (This category, "housing allowances," excludes rent subsidies for low-income housing.)

Other untaxed income and benefits. Your parents must report VA Educational Work-Study allowances as untaxed income. However, do **not** include contributions to, or payments from, flexible spending arrangements (also

known as "cafeteria plans"), because these are essentially employee benefit programs.

Cash payments. Any cash support that a parent receives from a friend or relative must be reported as untaxed income. Cash support includes payments made on behalf of the parent. For instance, if the parent's relative pays the rent or utility bill, the parent must report those payments as untaxed income on the application.

Certain income and benefits should not be reported on this worksheet:

- **Food stamps and other "in-kind" assistance**. Benefits received from federal, state, or local governments from the following programs are not counted as untaxed income: the Food Stamp Program, Women, Infants, and Children Program; Food Distribution Program; Commodity Supplemental Food Program; National School Lunch and School Programs; Summer Food Service Program; and Special Milk Program for Children.
- **Child-care benefits**. The value of daycare services provided by government or private programs should not be reported, as they are also a form of in-kind income. (Note: Some states provide reimbursement for childcare expenses incurred by welfare recipients through TANF. These benefits are reported on the application because the individual bills the state for the amount of childcare costs incurred while on welfare and is reimbursed on that basis.)
- **Per capita payments to Native Americans**. Per capita payments received in 1998 from the Per Capita Act or the Distribution of Judgment Funds Act should not be reported unless any individual payment exceeds $2,000. Thus, if an individual payment were $1,500,it would not be reported on an application. However, if a payment were $2,500, the amount that exceeds $2,000--$500--would be reported as untaxed income.
- **Heating/fuel assistance**. Exclude from consideration as income or resources any payments or allowances received under the Low-Income Home Energy Assistance Act (LIHEA). (Note: Payments under the LIHEA are made through state programs that may have different names.)

Exclusions from Taxed Income. Worksheet B on page 8 of the FAFSA will help your parents calculate exclusions from their taxed income, such as work-study earnings. Do not include in Worksheet B any income or benefits reported elsewhere on the application. Because the items listed in this worksheet will be entered on the form and excluded from income when the CPS performs the EFC calculation, your parents should **not** subtract them from their responses to the parental income questions in Step Four. These amounts

should be calculated on the basis of what your parents received between January 1, 1998 and
December 31, 1998, not on what they received during the school year.

Child-support payments. Any child-support payments paid by your parents during 1998 because of divorce or separation should be reported on Worksheet B if your parents' income is reported on the FAFSA. Do not include support for children in your parent's household, as reported in the "number in household" question. For purposes of the FAFSA, a child is a member of your parents' household if your parent provides more than half of the child's support, whether or not the child lives with your parent.

Taxable Earnings from work-study or other need-based work programs. Earnings from work are reported as income on the financial aid application as part of AGI or income earned. However, if those earnings are part of a financial aid package and are intended as need-based financial assistance to your parents, they must also be reported Worksheet B.

AmeriCorps awards. The National and Community Service Trust Act of 1993 allows people to earn postsecondary tuition funds by filling unmet community needs. Any living allowance or benefits (**but not earnings**) received by your parents under this program should be reported on Worksheet B.

Grant and scholarship aid. Any grant and scholarship aid that was reported on the parents' 1998 income tax form (because it was in excess of tuition, fees, books, and required supplies) should be reported on Worksheet B.

Asset Information

The purpose of collecting asset information is to determine if your family's assets are substantial enough to support a contribution toward your (the student's) cost of attendance (COA). Only the net asset value is counted in the need analysis. Any debts against assets are subtracted from asset value. The formula set by Congress to determine your EFC protects a certain portion of your parents' assets. The remaining asset amount is expected to be available for meeting education expenses, and the Congressionally determined need analysis formula assesses only a portion of those available assets.

An asset is defined as property that has an exchange value. Parents do not report as assets possessions such as cars, a stereo, clothes, or furniture.

Previous versions of the FAFSA required students to complete a Simplified Needs Worksheet to determine whether they and their parents would be required to list their assets in the asset section of the FAFSA. A dependent student was not required to fill out asset information if the parents' AGI was less than $50,000

and the student and his or her parents were not required to use the IRS Form 1040 to file taxes.

The current FAFSA, however, requires all parents of dependent students to fill out the assets section in Step Four. While the current FAFSA does not require parents to complete a Simplified Needs Worksheet, the Department's CPS will determine if dependent students and their parents qualify for a Simplified Needs calculation. If you qualify for the Simplified Needs calculation, your assets and your parents' assets will not be taken into account when determining your EFC for federal student aid. However, state agencies, private scholarship groups, postsecondary schools, or other groups may use the asset information for nonfederal student aid purposes.

Ownership of an Asset

There are several situations where the ownership of an asset may be divided or contested:

- **Part ownership of asset**. If the parent has only part ownership of an asset, he or she should report only that part. Generally, the value of an asset and debts against it should be divided equally by the number of people who share ownership, unless the share of the asset is determined by the amount invested or the terms of the arrangement specify some other means of division.
- **Contested ownership**. Assets should not be reported if the ownership is being contested. For instance, if the parents are separated and they may not sell or borrow against jointly owned property that is being contested, the parent would not list any value for the property or any debts against it. If ownership of an asset is resolved after the initial application is filed, the student is not required to update this information. However, if the ownership of the property is not being contested, the parent would report the property as an asset.
- **Lien against asset**. If there is a lien or imminent foreclosure against the asset, the asset would still be reported until the party holding the lien or making the foreclosure completes legal action to take possession of the asset.

Assets that are not Reported

Some assets that are not reported follow:

- Pensions and whole life insurance. The value of a pension is not counted as an asset on the FAFSA, but income from a pension, distributed either as a lump sum or incrementally, must be reported. The cash value or built-up equity of a life insurance

policy (often referred to as a whole-life policy) is not reported as an asset.

- Principal place of residence/family farm. Your family's principal place of residence is not reported as an asset. Neither is your family farm if the farm is the principal place of residence and your family claimed on Schedule F of the tax return that it "materially participated in the farm's operation." In certain instances, however, even if the family farm is incorporated and the family files a corporate return instead of IRS Schedule F, the value and debt of the farm are not reported on the FAFSA. In such cases, you must show evidence that family members own all shares of stock in the corporation and that those family members also reside on the farm.

Total Current Cash, Savings and Checking Account Balance. For cash, savings, and checking accounts, include the current balance of checking or savings accounts **as of the date the FAFSA is signed** unless your parents do not have access to the money because the state declared a bank emergency due to the insolvency of a private deposit insurance fund.

Net Worth of Investments. "Investments" include both real estate and other investments. Real estate includes rental property, land, and second or summer homes. Include the value of portions of multifamily dwellings that are not your parents' principal residence. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and strategic metals, etc. Do not include your parents' home. Please click here for more information on real estate and other investments.

Investment value - Investment Debt = Net Worth of Investments

If your parent(s) own real estate or investments other than their principal residence, their value equals the amount they are worth today.
Do not write this amount in for net worth of investments.

Investment debt equals how much your parent(s) owe on other real estate and investments. Investment debt means only those debts that are related to the investments. ***Do not write this amount in for net worth of investments.***

Subtract the amount of the debt on these assets from their value. ***Write this amount in for net worth of investments.***

Real Estate and Other Investments

Rental properties. *Generally, rental properties must be reported as investment assets rather than as business assets. To be reported as a business, a rental property would have to be part of a formally recognized business. (Usually such a business would provide additional services, such as regular cleaning, linen, or maid service.)*

"Take-back" mortgages. *In a "take-back" mortgage, the seller takes back a portion of the mortgage from the buyer and arranges for the buyer to repay that portion of the mortgage to the seller. For IRS purposes, the seller must report the interest portion of any payments received from the buyer on Schedule B of IRS Form 1040. Therefore, if an amount is reported on this line of the tax return, the family probably has an asset that should be reported on the FAFSA.*

Trust funds and tuition prepayment plans. *If trust funds are in your parents' names, they should be reported as your parents' assets on the application. In the case of divorce or separation, where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided among the owners for reporting purposes, unless the terms of the trust specify some other method of division.*

How the trust must be reported varies according to whether the parents receive or will receive the interest income, the trust principal, or both. If parents receive only the interest from the trust, any interest received in the base year must be reported as income. Even if the interest accumulates in the trust and is not paid out during the year, the person who will receive the interest must report an asset value for the interest he or she will receive in the future. The trust officer can usually calculate the present value of the interest the person will receive while the trust exists. This value represents the amount a third person would be willing to pay to receive the interest income that the parents will receive from the trust in the future.

The present value of the principal is the amount that a third person would pay at the present for the right to receive the principal when the trust ends (basically, the amount that one would have to deposit now to receive the principal when the trust ends, including the accumulated interest). Again, the present value can be calculated by the trust officer.

Trust funds in the name of a specific individual should be reported as that person's asset on the application. In the case of divorce or separation, where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided between the owners for reporting purposes, unless the terms of the trust specify some other method of division.

As a general rule, parents must report the present value of the trust as an asset, even if the beneficiary's access to the trust is restricted. If the creator of a trust has voluntarily placed restrictions on the use of the trust, then parents should report the trust in the same manner as if there were no restrictions. However, if a trust has been restricted by court order, parents should not report it as an asset. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

Note that the Michigan Education Trust and all similar tuition prepayment plans are excluded from being reported as assets on the FAFSA. (The annual value of the tuition prepayment will be taken into account when the school packages your aid.)

Net Worth of Business. Business value includes the market value of land, buildings, machinery, equipment, inventories, etc. You should not include the family's primary home, even if it is part of the business.

Business Value - Business Debt = Net Worth of Business

For business value, if your parent(s) own a business, first figure out how much the business is worth today. ***Do not write this amount in for net worth of business.***

Business debts are what your parent(s) owe on the business. Include only the present mortgage and related debts for which the business was used as collateral. ***Do not write this amount in for net worth of business.***

Subtract the amount of business debt from the business value. ***Write in this amount for net worth of business.***

Note that when current market value for a business is reported, it must be the amount for which the business could sell as of the date of the application. Also, if your parents not the sole owners of the business, they should report only their share of the value and the debt.

Net Worth of Investment Farm. An investment farm is any farm that does not meet the definition of a *family farm*. **[Click here to link to family farm definition]** Investment farms include the market value of land, buildings, machinery, equipment, livestock, inventories, etc.

Note that when current market value for a farm is reported, it must be the amount for which the farm could sell as of the date of the application. Also, if your parent(s) are not the sole owners of the farm, they should report only their share of the value and the debt.

As noted earlier, do not report a family farm as an asset.

Investment Farm Value - Investment Farm Debt = Net Worth of Investment Farm

For investment farm value, if your parent(s) own an investment farm, first figure out how much the investment farm is worth today. ***Do not write this amount in for net worth of investment farm.***

Investment farm debt is what your parent(s) owe on the investment farm. Include only the present mortgage and related debts for which the farm was used as collateral. ***Do not write this amount in for net worth of investment farm.***

To determine net worth of an investment farm, subtract the amount of investment farm debt from investment farm value. The investment farm debt reported should include the unpaid mortgage and related debts, as well as any loan for which farm assets were used as collateral. ***Write in this amount for net worth of investment farm.***

Parents' Marital Status Today. The FAFSA asks about parents' marital status because the treatment of income and assets in the EFC calculation is directly affected by your parents' marital status. Marital status cannot be projected--your parent(s) must report their marital status as of the date the application is completed.

Enter "married" if your parents are currently married. For example, if you give information about your mother and stepfather, you would enter "married" because your mother and stepfather are married. If your parents are living together and have not been formally married but meet the criteria in their state for a common-law marriage, they should report their status as married on the application. If the state does not consider the situation to be a common-law marriage, then the parents should file the FAFSA as if they are separated. Check with the appropriate state agency concerning the definition of a common-law marriage.

If your parent is single, you should enter "single" for this parent. If your parents are divorced or separated, you should enter "divorced/separated." Likewise, if your parent is widowed, you should enter "widowed."

Number in Parents' Household. The number of family members reported determines the income protection allowance that will be subtracted from your family's income to account for basic living expenses. The number of family members in college directly affects your family's ability to contribute to your education costs. Your EFC is divided by the number of family members in college.

The following persons are included in your parents' household size:

- **you** (the student), even if you do not live with your parents;
- **your parents**, excluding a parent not living in the household as a result of death, separation, or divorce;
- **your parents' other children**, if they received or will receive more than half of their support from your parents between July 1, 1999 and June 30, 2000 or if they would be required to report parental information on the FAFSA;
- **your parents' other children**, if the children could answer "no" to all six questions in *Step Two*;
- **your children**, if they received or will receive more than half of their support from your parents between July 1, 1999 and June 30, 2000 (even if the children do not live with your parents, they must be counted if they meet this criterion);
- **your parents' unborn child and/or your unborn child**, if that child will be born before or during the award year (July 1, 1999 through June 30, 2000) and your parent(s) will provide more than half of the child's support from the projected date of birth until the end of the award year (if there is a medical determination of a multiple birth, then all expected children can be included); and
- **other persons**, if they live with and receive more than half of their support from your parents at the time of application and will continue to receive that support for the entire 1999-2000 award year (July 1, 1999 through June 30, 2000).

To determine whether to include children in the household size, the "support" test is used (rather than a residency requirement) because there may be situations in which a parent supports a child who does not live with him or her, especially in cases where the parent is divorced or separated. In such cases, the parent who provides more than half of the child's support may claim the child in his or her household size. If your parent receives benefits (such as Social Security or AFDC payments) in the child's name, these benefits must be counted as parental support to the child.

Support includes money, gifts, loans, housing, food, clothes, a car, medical and dental care, payment of college costs, etc.

Number of College Students in Parents' Household. This question asks about the number of household members who, in 1999-2000, are or will be enrolled in a postsecondary school for at least 6 credit hours in at least one term, or for at least 12 clock hours per week, even if they do not complete a term. To be counted, the enrolled household member(s) must be working toward a degree or certificate leading to a recognized education credential at a postsecondary school that is eligible to participate in any of the federal student aid programs. **The student applying for aid should always be included, even**

if he or she is not working toward a degree or certificate at a participating school, or even if he or she is enrolled less-than-half time.

State of Legal Residence. Write in the two-letter abbreviation for your parents' current state/country of residence. Residency (domicile) is your parents' true, fixed, and permanent home. If your parents are residing in a state for the sole purpose of attending a college, do not count that state as their legal residence. If your parents are separated or divorced, use the state/country of legal residence for the parent whose information is reported on the form. Use the State/Country Abbreviation List to provide the abbreviation for your parents' state of legal residence.

Legal Resident Before 1994. States have varying criteria for determining whether or not you are a resident for purposes of state financial aid. However, all states consider you to be a resident if you became a legal resident of that state more than four years ago. Provide the appropriate answer to whether your parents became residents of their state before January 1, 1994. If your parents are divorced or separated, use the date for the parent whose information is reported on this form.

Date of Legal Residence. The state where your parents live will use this information to determine whether your parents meet its specific residency requirements for state aid. If both of your parents answered "no" to the question asking if they became legal residents of their state before January 1, 1994, provide the month and year for the parent who has lived in the state the longest.

Age of Older Parent. The age of your older parent is used when calculating your EFC to determine the Asset Protection Allowance for your parents. The higher the age of your parent, the higher the protection allowed against the value of your parents' assets in the EFC calculation.

Step Five

Purpose. This section permits you to list up to six schools that you are interested in attending. The Department will send your information to all the schools listed. You should list each school's Federal School Code.

If you want information sent to more than six schools, there are several ways to make sure all the schools can receive your data:

- You can give your Data Release Number (DRN), printed on the SAR, to a school. The school will use your DRN to get a copy of your application information electronically.
- You can list six schools on the application, wait for your SAR to arrive in the mail, and then correct the SAR by replacing some or

all of the original six schools with other schools. After the application is processed, you may also send a letter to the Department's Central Processor requesting changes in the list of schools; in this case, all six schools from the original application will be replaced with the schools you list in the letter. Corrections made at the same time as changes made to the original list (or later) will not be sent to the schools that have been replaced with new schools.

- You can call the Federal Student Aid Information Center (on the toll line, at 1-319/337-5665) to request changes to the schools (institution codes) to which the SAR was sent. You must receive your SAR before requesting these changes.
- You can give a photocopy of your SAR to any school that participates in the federal student aid programs.

The Department's Central Processor will send data to only six schools at a time for one student. For example, if you originally listed six schools on the application and then replaced all six with new schools by changing the SAR, only the second set of six schools would get data from this correction. If you then made other corrections, only the second set of schools would get the corrected data.

Federal School Code. For a school to receive your application data, you must list the school's name and Federal School Code, previously called "Title IV" School Code, or address. The FAFSA will be processed faster if you write in the Federal School Code and the name of the school. These codes are not in the FAFSA instructions; they are provided in the "Federal School Code List" that the Department sends to high schools, colleges, and public libraries each fall around the same time the FAFSAs are distributed. The Department also makes this list available on the web. You can find a link to the Federal School Code List at http://www.ed.gov/studentaid

The Federal School Code is always a six-character code that begins with "0" (zero), "G," "B," or "E."

If you cannot get the Federal School Code, you should write in the complete **name, address, city, and state** of the college(s) that you are interested in attending. **Write clearly.** It is very important to write the correct city and state or Federal School Code so that your college can be identified. If a college is a branch campus, include the complete name of the branch. Also, indicate if it is a specific part of a university, such as the law school.

By answering the questions in Step Five and signing the FAFSA, you give permission to the U.S. Department of Education to provide your application information to the college(s) listed. You also agree that any aid you are awarded will be used for educational purposes only, as stated on the application. Colleges use this information to help estimate the amount of your financial aid package. You should not write in the name of a college if you do not want it to receive your

application information. If you leave these questions blank, the Department will not send your application information to any colleges.

Housing Plans. For each school listed, enter the expected housing code for the school. Continue in the same way for all schools listed if you are applying to more than one college. Do not write more than one college and housing code on each line.

Step Six

Purpose: This section asks for your signature (and your parent's signature, if you are a dependent student).

Student/Parent Signatures. You must sign and date the FAFSA. If unsigned, it will be returned unprocessed. If you provided parent information in Step Four, one parent whose information is provided must also sign. **You (and anyone else who signs the form) certify that all information on the form is correct** and that everyone is willing to provide documents to prove that the information is correct. Such documents may include U.S. or state tax returns and the worksheets in this instruction book. Do not sign, date, or mail the FAFSA before January 1, 1999. If sent in before this date, the form will be returned unprocessed.

If you apply for aid using *FAFSA on the Web* or *FAFSA Express*, you will be directed to mail in a signature page for your application to be processed. You should mail this signature page *immediately* after submitting your electronic application. If the Department does not receive a signature page within fourteen days of receiving your electronic application, a rejected SAR will be generated and mailed to you. Sign this SAR and return it to the Department's Central Processor to have your application information processed. If you do not have access to a printer, you should indicate this at the time you submit your application. In this case, the processor will immediately generate a rejected SAR and mail it to you to sign and return.

If you apply for aid using *Renewal FAFSA on the Web*, you do not need to submit a signature page. The Electronic Access Code (EAC) that you use to access that web site is considered by the Department to be your electronic signature. Do not share this code with anyone. If you are a dependent student using *Renewal FAFSA on the Web*, your parent will still have to submit a signature page.

To obtain an EAC or for more information, go to the EAC web site at http://eac.ed.gov

By signing the FAFSA, you also give permission to the state financial aid agency to which information is being sent to obtain income tax information for all persons required to report income and for all periods reported on this form.

Although parental information must be provided for a dependent student, a high school counselor or a postsecondary school's FAA may sign the application in place of the parent(s) if:

- your parent(s) are not currently in the United States and cannot be contacted by normal means,
- the current address of your parent(s) is not known, or
- your parent(s) have been determined physically or mentally incapable of providing a signature.

Without your parent(s)' financial information and signature on the FAFSA, a dependent student cannot get federal aid. Unless your parent(s) is unable to sign for one of the reasons listed above, your FAA cannot sign in place of him or her. Your parent(s)' unwillingness to sign the FAFSA or provide financial information is not, in and of itself, a reason for the FAA to sign your FAFSA in place of him or her.

If your counselor or FAA signs the FAFSA in place of your parents, he or she should provide his or her title when signing and briefly state the reason (only one reason is needed) why he or she is signing for your parent(s). By signing your application, however, your counselor or FAA does not assume any responsibility or liability in this process. If the FAA finds any inaccuracies in the information reported, he or she will direct you to submit corrections.

Preparer's Use Only

The law requires that if anyone other than you, your spouse, or your parents prepares the application, then the preparer must write in his or her name, the firm/company name (if applicable), the firm/company address, and either the firm/company's Employer Identification Number (EIN) (as assigned by the IRS) or the preparer's SSN.

High school counselors, FAAs, and others who help students with their applications by actually filling out line items on the form or dictating responses to items on the form are considered preparers. Preparers must complete this section even if they are not paid for their services.

Sending In Your Form

Double-check your answers to make sure they are complete and accurate. Be sure you have provided the necessary signatures. Do not send money; this is a free application. Do not put letters, tax forms, worksheets, or any extra materials

in the envelope. **They will be destroyed.** Put the form in the envelope provided. If no envelope is provided, mail the FAFSA to:

Federal Student Aid Programs
P.O. Box 4008
Mt. Vernon, IL 62684-8608

The original FAFSA **must be received no later than June 30, 2000**. Do not send in the FAFSA before January 1, 1999, or it will be returned unprocessed. 1999-2000 FAFSAs received after June 30, 2000 will not be processed.

State and school deadlines may be as early as January 1999. Check with your school's aid office to make sure you meet all aid deadlines.

You should make a copy of the FAFSA for your files before sending in the original. Keep the original Worksheet A and Worksheet B with this copy. Your school may ask to see them later.

If you, your spouse, or your parents have unusual circumstances (such as loss of employment or major medical expenses) that might affect your need for financial aid, you should notify the financial aid offices at all of the schools listed on the FAFSA (or those schools you expect to apply to) as soon as possible.

Information on the Privacy Act and Use of Your Social Security Number

The Department of Education (the Department) uses the information that you provide on the FAFSA to determine if you are eligible to receive federal student financial aid and the amount that you are eligible to receive. Section 483 of the Higher Education Act of 1965, as amended, gives the Department the authority to ask students these questions and to collect their Social Security numbers.

State and institutional student financial aid programs may also use the information that you provide on the FAFSA to determine if you are eligible to receive state and institutional aid and the need that you have for such aid. Therefore, the Department will disclose the information that you provide on this form to each institution you list in questions 83–93, state agencies in your state of legal residence, and the state agencies of the states in which the colleges that you list in questions 83–93 are located.

Without your consent, the Department may disclose information that you provide to third parties that the Department has authorized to assist it in administering its programs, to other federal agencies under computer-matching programs, such as the Social Security Administration, Selective Service System, Immigration and Naturalization Service, and Veterans Administration, to your parents or your

spouse, and to members of Congress if you ask them to look into student aid issues.

If the federal government, the U.S. Department of Education, or an employee of the U.S. Department of Education is involved in litigation, the Department may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain conditions are met. In addition, the Department may send your information to a foreign, federal, state, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, for which that agency has jurisdiction for investigation or prosecution. Finally, the Department may send information regarding a claim that is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from its records, the amount, status, and history of the claim, and the program under which the claim arose.

The Paperwork Reduction Act of 1995

The Paperwork Reduction Act of 1995 says that no one is required to respond to a collection of information unless it displays a vaiid OMB control number, which for the FAFSA is 1840-0110. The time required to complete the paper FAFSA is estimated to be one hour per application, including time to review instructions, search data resources, gather the data needed, and complete and review the information collection.

Frequently Asked Questions

Who can I call for help with answering FAFSA questions?

You can call the Federal Student Aid Information Center at 1-800/4-FED-AID with questions about your application or about federal student financial aid in general.

Why does the Department of Education ask for income information from the year before you go to school?

Studies have consistently shown that verifiable income tax information from the base year (1998 for the 1999-2000 award year) is more accurate than projected (1999) information when estimating how much the family will be able to contribute during the coming school year.

What should you (the student) do if your family has special circumstances that aren't mentioned in the application?

Talk to your FAA. If your family's circumstances have changed from the base year (1998) due to loss of employment, loss of benefits, or death or divorce, the FAA may decide to adjust data elements used to calculate your EFC, which may increase your eligibility for student aid.

If you live with an aunt, uncle, or grandparent, should that relative's income be reported instead of parental information?

Only if the relative is your adoptive parent, as defined on the FAFSA. You can be considered to be dependent only on your parent(s) and may report only parental information on the FAFSA. You must report any cash support given by relatives, but not in-kind support (such as food and housing) from relatives.

What if you live with a girlfriend or boyfriend who pays the rent?

You should not report any information for a friend or roommate unless the two of you are actually married or are considered to have a common-law marriage under state law. You must report any cash support given by the friend as untaxed income but should not report in-kind support (such as food). You would have to report as income the rent the roommate paid if your name were on the lease and if the roommate were paying the rent on your behalf.

When is work considered student aid?

Generally, grants and scholarships are not considered to be taxed or untaxed income. If you have an ROTC scholarship, a private scholarship, or any other kind of grant or scholarship, that grant or scholarship will be considered as an available resource by the financial aid office when packaging aid but will not be reported as income on the application.

You should report grants and scholarships that are reported on the tax return (because they are in excess of tuition, fees, books, and required supplies). You should report these items as exclusions from income.

What's the difference between cash support and in-kind support?

Cash support is support given either in the form of money or money that is paid on your (the student's) behalf. You must report cash support as untaxed income. Thus, if a friend or relative gives you grocery money, it must be reported as untaxed income. If the friend or relative pays your electric bill or part of your rent, you must report those payments.

Examples of in-kind support are free food or housing that the family receives. You usually don't report such support. So, if you are living rent-free with a friend

or relative, you do not report rental value as untaxed income, unless your name is on the lease.

However, the application does require you to report the value of housing that the family receives as compensation for a job. The most common example is free housing or a housing allowance provided to military personnel or clergy.

You are now a U.S. citizen but have an Alien Registration Number (ARN), which box do you check?

Check the U.S. citizen box - do not check both, as this would cause a problem with the application. A person who has attained citizenship no longer uses the ARN associated with being an eligible non-citizen for purposes of applying for federal student aid.

Why must you supply educational level information on your parents?

Some states and institutions make monies available to support students who are first-generation college students. It also serves statistical purposes.

If you are an emancipated minor, are you now independent?

The status of emancipated minor is not recognized by the Department of Education for financial aid purposes; such a student must meet one of the other listed criteria to be independent.

If you are in the National Guard or are an Active Duty military member, are you considered a veteran?

No, you are a veteran only if you have been discharged from Active Duty other than dishonorably. Only a member of the National Guard who was activated in a situation such as Desert Storm and then discharged would meet the definition. Active Duty members of the military are not veterans until discharge.

If your parents have not filed taxes and will not be able to file in time for a state or institutional deadline, can they wait?

If there is a risk of not meeting a deadline for state or institutional aid, your parents should calculate their income and tax information to the best accuracy but be prepared to supply tax returns if selected for verification by the Department's Central Processing System.

If your parents are divorced, whose information do you need?

The parent that you lived with the most during the past year. It does not make a difference which parent claims you as a dependent for tax purposes. If you did not live with either parent or lived equally with each parent, the parental

information must be provided for the parent from whom you received the most financial support or the parent from whom you received the most support the last time support was given.

What should you do if the parent with whom you live is remarried and the stepparent refuses to supply information?

If you are a dependent student and your parent is remarried, the stepparent's information must be included or you will not be considered for federal student financial aid.

How does a family decide who should be counted in the household size?

Anyone in the immediate family who receives more than 50% support from the dependent student's parents or the independent student and spouse may be counted in the household size even if that person does not reside in the house, as in the case of a sibling who is over 24 but still in college and receiving the majority of support from parents. Siblings who are dependent as of the date you apply for aid are also included, regardless of whether they receive at least 50% of their support from their parents. Any other person who resides in the household and receives more than 50% support from the parents may also be counted such as an aunt, cousin, etc. so long as the support is expected to continue throughout the award year (1999 - 2000). An unborn child who will be born during the award year may also be counted in the household size. Household size and tax exemptions are not necessarily the same. Exemptions look at the previous year or tax year and household size refers to the school year for which the student is applying for aid.

If your parents are separated but filed a joint tax return, how is the information reported?

You should use only the qualified parent's financial information (the parent with whom you lived the most in the most recent twelve months). Use a W-2 or some document that demonstrates the qualified parent's share of the income and a tax table for the tax liability.

If you (the student) are separated but filed a joint tax return, how is the information reported?

You should give only your portion of the exemptions, income, and taxes paid.

Who qualifies to be counted in the number in college?

Any person who is counted in the household and will be attending any term of the academic year at-least-half time. He or she must attend an eligible program at an eligible institution. You (the student) need not be enrolled half time, however, to be counted in the number in college. To be counted in the number

in college, the person must also be working toward a degree or certificate leading to a recognized education credential at a postsecondary school that is eligible to participate in federal student aid programs.

What happens after you apply?

If you submit a paper version of the FAFSA, within four weeks, the U.S. Department of Education will send you a **Student Aid Report (SAR).** On the SAR will be either a request for further information or a number called an **Expected Family Contribution (EFC)**. The Department uses a formula established by law to figure the EFC from the information you provide. Your college uses the EFC to determine the amount of your Federal grant, loan, or work-study award, if you are eligible.

If you apply using *FAFSA on the Web* or *FAFSA Express*, you will receive a SAR in the mail approximately one week after your completed application, **including a signature page**, is received.

What if you don't get a SAR or you need another copy of your SAR?

If you do not get a SAR within four weeks, call the Federal Student Aid Information Center at 1-800/4-FED-AID. You can use the automated system, if you have a touch tone phone, to find out if your application has been processed, or to request duplicate copies of your SAR. You will need to provide your Social Security Number and the first two letters of your last name. If you do not have a touch tone phone, you can call 1-319/337-5665 to order duplicate copies of your SAR or to check on the status of your application.

What should you do if your or your family's financial circumstances change, such as a parent losing a job, or large medical expenses?

Some questions ask you to make projections, for example, about your family status for the coming year. If the answers to these questions change, you should check with the financial aid administrator(s) at the schools you are interested in attending as soon as possible. The income and expense information reported on this form must be accurate for the past year (1998), not for the coming year.

Sources of Information

For information on any federal student financial aid programs discussed in this handbook, you may call the Federal Student Aid Information Center (FSAIC) from 8 a.m. to 8 p.m. eastern time Monday through Friday at

- 1-800/4-FED-AID (1-800/433-3243)--toll-free; or
- 1-800/730-8913 (TDD only)--toll-free for the hearing impaired

The toll-free line at the FSAIC provides the following services:

- helping complete the federal student aid application form (the FAFSA),
- explaining the SAR and how to make corrections,
- reviewing an application or correction in the case of a possible FAFSA processor data entry error,
- making a correction in the event of a processor data entry error,
- checking on whether a school participates in federal student aid programs,
- explaining who is eligible for federal student aid,
- explaining how federal student aid is awarded and paid,
- explaining the verification process, and
- mailing requested publications.

Inquiry Express, an automated service of the FSAIC, allows you to do the following if you have a touch tone phone:

- check the status of a financial aid application,
- order a duplicate SAR.

To use Inquiry Express, you must enter your Social Security Number and the first two letters of your last name.

The toll line at the FSAIC (1-319/337-5665) provides the following services:

- checking the status of a financial aid application,
- mailing a duplicate SAR,
- changing your address, and
- changing the schools you listed on your application.

The FSAIC cannot accept collect calls.

The FSAIC is not able to

- make policy,
- expedite the federal student aid application process,
- discuss your federal student aid file with an unauthorized person,

- change your file without written, signed authorization (unless the Department's CPS made a data entry error), or
- influence an individual school's financial aid policies.

If you have reason to suspect fraud, waste, or abuse involving federal student aid funds, you should call the U.S. Department of Education's Inspector General's toll-free hotline at:

1-800/MIS-USED (1-800/647-8733)

You may also access the Department's web site, which currently provides general information about the Department and access to some of the Department's publications. The main site address for information about the Department's financial aid programs is http://www.ed.gov/offices/studentaid

Currently, the 1998-99 version of the *Student Guide* is available at http://www.ed.gov/prog_info/SFA/StudentGuide.

A high school student's initial sources of information on federal student aid are *Funding Your Education*, information on the Department's web site, high school counselors, and postsecondary school FAAs. *Funding Your Education* is a free booklet giving federal student financial aid application information and describing the U.S. Department of Education's major financial aid programs. Individual copies are available from:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

Funding Your Education is also available at
http://www.ed.gov/prog_info/SFA/FYE
The EFC Formula Worksheets are a set of forms that explain the need analysis calculation that produces the EFC. It is available from:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

School Shopping Tips is a free guide about how to choose a school carefully. It suggests specific things to look for when choosing a school and a career. It is available from:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084